



Livestock and Seed Program Audit, Review, and Compliance Branch Quality System Audit Report

Applicant: Indiana Certified Organic, Inc.
Program : National Organic Program – Initial Site Evaluation Audit
Location(s): Clayton and Indianapolis, IN
Audit Date(s): January 13 & 14, 2004
Audit File Number: NP4013MA
Action Required: Yes
Auditor(s): Miguel A. Caceres, Lead Auditor, and Darrell Wilson, Auditor
Contact & Title: Cissy Bowman, Chief Executive Officer
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AUDIT ACTIVITIES

On January 13 and 14, 2004, representatives of the USDA, AMS, LS, Audit, Review, and Compliance Branch (ARC) conducted a site evaluation audit of the Indiana Certified Organic, Inc. (ICO) Certification Program, Clayton, IN. The purpose of the audit was to assess compliance to the requirements of the National Organic Program (NOP), 7 CFR Part 205. The scope of the audit included ICO's certification procedures, decisions, facilities, and the administrative and management systems. The audit also included observation of ICO's continuance of the certification and inspection activities at Hubbard & Craven, a coffee roasting operation located in Indianapolis, IN. Hubbard & Craven's annual organic production is less than 1 percent of the company's total output. The ICO audit plan and cost estimate were reviewed with Cissy Bowman, CEO. The opening and closing meetings were conducted with the CEO, Ms. Bowman; the Administrative Director, Ms. Carr; and the Technical Expert for the ANSI Peer Review, Mr. Commins.

ICO is a for-profit entity that provides third-party product certification for organic crops, livestock, wild crops, and handlers and was accredited by the USDA on April 29, 2002. ICO has been providing organic certification services since 1995 and had 208 applicants on their current client list. All Inspectors and all reviewers except 1 (Val Carr) were subcontracted. The checklists and other documents utilized by the audit team were scanned and identified as *NP4013MA Audit Documentation ICO Clayton IN 01.15.03*.

FINDINGS

Observations made, interviews conducted, and records reviewed indicated that ICO was applying its organic certification program in accordance with the National Organic Program except as noted in this "Findings" section. In addition to the five noncompliances identified during the on-site evaluation, one noncompliance identified during the desk audit (**NP1351GB**) is withdrawn in this report, and 3 noncompliances identified during the 2003 Annual Update (**NP3310GA**) are recorded. The report for the annual update had been received by ICO just prior to the site evaluation audit; therefore, there was no response to the noncompliances, and they remain outstanding.

Outstanding Noncompliances from desk audit and the 2003 Annual Update Report:

NP1351GB – 205.501 – Furnish reasonable security. This issue needs to be addressed. **Withdrawn:** The NOP has not defined "reasonable security", and therefore the certifying agents cannot be required to comply with this portion of the regulation.

NP3310GA.NC1- CIP - 205.504(a)(4) – Requires entities seeking accreditation as a certifying agent to submit “A description of any training the applicant has provided or intends to provide to personnel to ensure that they comply with and implement the requirements of the Act and the regulations in this part”. *Training was identified as a weakness in the annual review. However, the training to be required or provided by ICO was not addressed.*

NP3310GA.NC2 - CIP - 205.510(a)(4) – Requires the applicant to provide the results of the most recent performance evaluations. *Annual performance evaluations were not submitted for review.*

NP3310GA.NC3 - CIP - 205.504(d)(1) – Requires an applicant who currently certifies production or handling operations to submit a list of all production and handling operations currently certified by the applicant. *ICO did not identify any wild crop clients on their list of certified clients, although Roseland Farms was certified for wild crops. Also the list does not include the type of products certified.*

New Noncompliances identified during this audit:

NP4013MA.NC1 (CIP) Section 205.404(a) – The certification may include requirements for the correction of minor noncompliances within a specified time period as a condition of continued certification. *A review of the files revealed that during the inspection of George Sherman’s farm the inspector noted that grain, feed, and feed supplements were used. However they were not listed in the organic livestock plan. ICO granted certification without identifying this as a noncompliance.*

NP4013MA.NC2 (CIP) Section 205.404(c) – Once certified, a production or handling operation’s organic certification continues in effect until surrendered by the organic operation or suspended or revoked by the certifying agent, the State Organic program’s governing State official, or the Administrator. **Section 205.404(b)(2)** – The certifying agent must issue a certificate of organic operation which specifies the: Effective date of certification. *The organic certificates are being issued with 3 dates on them and a statement that implies an expiration date. The 3 dates are: an issue date, anniversary date, and a continued on date. Additionally the statement “Certification is continued 12 months past this date” is placed with an asterisk on the certificate.*

NP4013MA.NC3 (CIP) Section 205.501(a)(7) – A Private or governmental entity accredited as a certifying agent under this subpart **must**: Have an annual program review of its certification activities conducted by the certifying agent’s staff, an outside auditor, or a consultant who has the expertise to conduct such reviews and implement measures to correct any noncompliances with the Act and the regulations in this part that are identified in the evaluation. *The 2002 and 2003 program review reports address the desk audit for accreditation and the 2003 Annual Update Audit conducted by the USDA, ARC Branch auditor. No annual program review has been conducted by ICO or on their behalf. An internal audit has been started however so far it only addresses the inspector’s handbook and has not entailed the certification activities.*

NP4013MA.NC4 (CIP) Section 205.501(a)(11)(v) – A private or governmental entity accredited as a certifying agent under this subpart **must**: Prevent conflicts of interest by: Requiring all persons who review applications for certification, perform on-site inspections, review certification documents, evaluate qualifications for certification, make recommendations concerning certification, or make certification decisions and all parties responsibly connected to the certifying agent to complete an annual conflict of interest disclosure report. *A) There were no conflict of interest disclosure reports available for a responsibly connected party, Bruce Bowman (co-owner), or a reviewer, Dex Conaway. B) The conflict of interest disclosure report forms being used do not disclose any of the personnel’s conflicts of interest.*

Instead the forms state the individual will disclose any conflict of interests to ICO. However there were no records of any conflicts on file although interviews conducted with the CEO indicated that some personnel were excused from certification activities because their involvement would have created a conflict.

NP4013MA.NC5 (CIP) Section 205.642 – Fees charged by a certifying agent must be reasonable, and a certifying agent shall charge applicants for certification and certified production and handling operations only those fees and charges it has filed with the Administrator. *This requirement could not be completely assessed because the fee schedule submitted to the Administrator did not contain certification fees. The fee schedule had a range of fees and stated that it would be based on several factors, none of which were defined in the schedule to a point where an assessment could be made.*

RECOMMENDATIONS

I recommend that Indiana Certified Organic retain accreditation with normal surveillance audits as required by the National Organic Program. This recommendation is conditional on ICO providing corrective and preventive action to the findings listed in this report.